

## Message Text

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INFO OCT-01 ISO-00 AGR-05 AGRE-00 EB-07 AID-05 SAB-01

CIAE-00 INR-07 NSAE-00 PA-01 PRS-01 USIA-06 DODE-00

SP-02 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

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P R 141610Z SEP 76

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC PRIORITY 9079

INFO AMEMBASSY SAN JOSE

PANCANAL

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E.O. 11652: N/A

TAGS: ECON, EAGR, PN

SUBJECT: DROUGHT SITUATION IN PANAMA

SAN JOSE FOR AGATT

REF: (A) PANAMA 5361 (B) PANAMA 6089

BEGIN SUMMARY: FOUR-MONTH DROUGHT IN PANAMA APPEARS OVER. SIGNIFICANT LOSSES IN GRAIN CROPS AND PRESSURES ON PASTURELANDS ARE IMMEDIATE EFFECTS. LAKE LEVELS IN THE CANAL ZONE WERE AT AN ALL-TIME LOW IN AUGUST. SHORTAGE OF WATER RESULTED IN LIMITATIONS ON HYDROELECTRIC POWER GENERATION. GENERAL EFFECTS OF DROUGHT WILL INHIBIT EFFORTS OF GOP TO STIMULATE ECONOMIC RECOVERY. END SUMMARY.

1. THE DROUGHT THAT HAS PLAGUED PANAMA SINCE MAY APPEARS TO BE EASING AS WE MOVE TOWARD THE WETTEST MONTHS OF THE YEAR. RAINFALL PATTERNS IN MOST PARTS OF THE COUNTRY HAVE RETURNED TO NORMAL, WITH ONLY THE CENTRAL PROVINCE OF COCLE CONTINUING TO EXPERIENCE SIGNIFICANT PRECIPITATION SHORTAGES.

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THE RESULTS OF FOUR MONTHS OF DROUGHT ARE BEGINNING TO EMERGE. THE MINISTRY OF AGRICULTURE UNOFFICIALLY ESTIMATES

THAT THIS YEAR'S RICE WILL TOTAL 3.1 MILLION QUINTALES (1 QUINTAL EQUALS 100 LB), DOWN FROM 4.2 MILLION QUINTALES IN 1975-76. THIS ESTIMATE ASSUMES NORMAL RAINFALL FOR THE REMAINDER OF THE YEAR. COUNTRY TEAM ESTIMATES THAT THE SIZE OF CROP WILL BE EVEN LOWER. RICE CROP LOSSES ARE ESTIMATED AT 40-45 PERCENT IN CHIRIQUI PROVINCE (CHIRIQUI PRODUCED 42 PERCENT OF PANAMA'S 1975-76 RICE CROP) AND 40-50 PERCENT IN COCLE PROVINCE (24 PERCENT OF 1975-76 CROP), WITH SMALLER LOSSES IN OTHER AREAS. ESTIMATES ARE BASED ON INTERVIEWS WITH PRODUCERS ARE GOVERNMENT OFFICIALS, AND ON FIELD TRIPS BY COUNTRY TEAM PERSONNEL. SIGNIFICANT LOSSES ARE ALSO EXPECTED IN THE CORN AND SORGHUM CROPS, WHILE MOST SUGAR APPEARS TO HAVE COME THROUGH THE DRY MONTHS IN GOOD SHAPE BECAUSE OF IRRIGATION. THE RESULTS OF THE ANNUAL GOP CROP SURVEY ARE NOW BEING COMPILED AND AN OFFICIAL ESTIMATE OF THE 1976-77 HARVEST SHOULD BE AVAILABLE BY THE FIRST OF OCTOBER. CHIRIQUI LAND COMPANY, THE UB SUBSIDIARY IN PANAMA, ESTIMATES THAT IT HAS SUFFERED LOSSES OF \$1 MILLION IN ITS BANANA OPERATIONS AS A RESULT OF THE DROUGHT. INDEPENDENT BANANA GROWERS ALSO REPORT REDUCED PRODUCTION.

2. THE EFFECT OF THE DROUGHT ON THE LIVESTOCK INDUSTRY HAS BEEN MODERATE. CATTLE HAVE PUT HEAVY PRESSURE ON SLOW-GROWING GRASSLANDS, AND THE DAIRY INDUSTRY HAS HAD TO RESORT TO HEAVY SUPPLEMENTAL FEEDING IN ORDER TO MAINTAIN MILK PRODUCTION AT NORMAL LEVELS. CATTLEMEN ARE CAREFULLY CULLING THEIR HERDS TO REDUCE THE NUMBER OF ANIMALS IN THEIR PASTURES, AND SOME INCREASES IN MEAT SUPPLIES HAVE BEEN EVIDENT--A GLUT HAS BEEN AVOIDED BECAUSE CATTLE IN GENERAL ARE FATTENING AT A SLOWER RATE. THE CATTLEMEN WILL EXPERIENCE THEIR GREATEST DIFFICULTIES DURING THE COMING DRY SEASON IF PASTURES ARE NOT ABLE TO RECOVER SUFFICIENT GROWTH TO CARRY CATTLE THROUGH THE PERIOD.

3. THE BEST INDICATIONS OF THE SEVERITY OF THE DROUGHT ARE PROVIDED BY THE METEOROLOGICAL-HYDROLOGICAL INFORMATION AVAILABLE FROM THE PANAMA CANAL COMPANY, WHICH HAS BEEN MAINTAINING EXTENSIVE RECORDS FOR 62 YEARS. ACCORDING TO PANCANAL DATA, DRAINAGE FROM THE GATUN-MADDEN LAKE WATERSHED WAS 81PERCENT BELOW NORMAL IN JULY AND 64 PERCENT BELOW NORMAL LIMITED OFFICIAL USE  
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IN AUGUST, BOTH RECORD LOWS. THE LEVEL OF MADDEN LAKE REACHED AN ALL-TIME RECORD LOW OF 190 FEET IN AUGUST (PREVIOUS LOW HAD BEEN 202 FEET). ALTHOUGH RAINFALL IN THE CANAL ZONE HAS BEEN NORMAL SINCE MIDDLE OF AUGUST, IT WILL BE SOME TIME BEFORE THE LAKE LEVELS RETURN TO NORMAL.

IN THE REPUBLIC OF PANAMA, AVERAGE FLOWS OF THE MAJOR RIVERS CONTINUE WELL BELOW NORMAL DURING THE MONTHS OF JULY AND AUGUST--OFFICIAL FIGURES WILL BE RELEASED NEXT WEEK. THE WATER LEVEL IN THE BAYANO RESERVOIR WAS 44.75 METERS ON SEPTEMBER 10--THREE METERS BELOW THE MINIMUM LEVEL REQUIRED TO

BEGIN OPERATIONAL TESTS OF THE HYDROELECTRIC GENERATING UNITS. THESE OPERATIONAL TESTS HAD BEEN PROGRAMMED FOR COMPLETION BY SEPTEMBER 1. THE SHORTAGE OF WATER REQUIRED TO OPERATE HYDROELECTRIC GENERATING FACILITIES WAS ILLUSTRATED WHEN THE FAILURE OF A MAJOR STEAM GENERATING UNIT AT THE GOP'S MAIN POWER STATION AT LAS MINAS BAY RESULTED IN PERIODIC POWER OUTAGES IN PANAMA CITY-COLON METROPOLITAN AREA. THE PANAMA CANAL COMPANY HAS OPERATED ALL AVAILABLE GENERATING CAPACITY TO PROVIDE POWER TO PANAMA DURING THIS EMERGENCY, BUT USE OF PANCANAL'S HYDROELECTRIC GENERATORS HAS BEEN CONSTRAINED BY THE NEED TO CONSERVE WATER IN GATUN AND MADDEN LAKES FOR THE OPERATION OF THE CANAL.

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4. COMMENT: THE DROUGHT HAS PLACED ADDITIONAL STRAINS ON THE PANAMANIAN ECONOMY AND FURTHER COMPLICATES GOP EFFORTS TO STIMULATE ECONOMIC RECOVERY. THE MINISTER OF AGRICULTURE ANNOUNCED ON SEPTEMBER 8 THAT THE SUPPORT PRICE FOR RICE WAS BEING RAISED FROM \$8.90/QUINTAL TO \$10.50/QUINTAL AND THE SUPPORT PRICE ON MILK WAS ALSO BEING INCREASED. THE RETAIL PRICE OF RICE WAS INCREASED FROM 20 CENTS/LB TO 23 CENTS/LB AND THE RETAIL PRICE OF FRESH MILK WAS RAISED FROM 35 CENTS TO 37 CENTS PER QUART. PRICES WERE ALSO INCREASED ON PROCESSED MILK PRODUCTS.

THESE PRICE INCREASES TRIGGERED STUDENT DEMONSTRATIONS AGAINST THE RISING COST OF LIVING, POPULAR SUBJECT OF LOCAL SPRAY PAINT SLOGANEERS DURING RECENT MONTHS.

THE SPECTRE OF FOOD SHORTAGES DOES NOT APPEAR ON THE SHORT-TERM HORIZON HERE, ALTHOUGH THE QUALITY OF THE GOP'S EXTENSIVE RICE STOCKPILES IS SUSPECT. PANAMA'S FOREIGN BUYING OF GRAIN WILL PLACE AN INCREASING BURDEN ON HER BALANCE OF TRADE DEFICIT IN 1976, NOW THAT THE GOVERNMENT'S ATTEMPT TO PROMOTE THE CULTIVATION OF CORN AND SORGHUM HAS BEEN SHORT-CIRCUITED BY THE DROUGHT. ECONOMIC STAGNATION IN THE RICE MONOCULTURE OF COCLE PROVINCE WILL REQUIRE INJECTIONS OF SCARCE GOVERNMENT RESOURCES TO PROVIDE PARTIAL RELIEF UNTIL LIMITED OFFICIAL USE

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NEXT YEAR'S GROWING SEASON. MEANWHILE, THE GOP'S OPTIONS IN DEALING WITH THE GENERAL ECONOMIC MALAISE THAT GRIPS PANAMA ARE FURTHER LIMITED AS IT BECOMES APPARENT THAT AGRICULTURE, THE ONLY SECTOR OF THE ECONOMY TO DEMONSTRATE SIGNIFICANT GROWTH DURING 1975, HAS SEEN ITS FORWARD MOMENTUM EVAPORATE DURING A SUMMER OF LITTLE RAINFALL. AN OPPORTUNITY TO EDUCATE THE PUBLIC ON THE NECESSITY FOR AUSTERITY MEASURES IN COPING WITH THE RECESSION HAS BEEN LOST WHILE PUBLIC INFORMATION RESOURCES ARE EMPLOYED IN PROMOTING OTHER THEMES. WITH RETURN OF THE FALL RAINS, THE DROUGHT ITSELF DISAPPEARS FROM PUBLIC CONSCIOUSNESS, WHILE THE AFTER EFFECTS LINGER ON.  
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